

RaySearch Laboratories AB (publ) Year-end Report 2010

JANUARY 1 – DECEMBER 31, 2010

- Net sales for the year amounted to SEK 117.7 M (83.7)
- Operating profit totaled SEK 39.9 M (40.9)
- Profit after tax totaled SEK 28.9 M (30.1) and earnings per share amounted to SEK 0.84 (0.88)
- Cash flow amounted to negative SEK 5.0 M (positive 9.4)
- RaySearch received FDA clearance for RayStation® in the US in March
- The collaboration agreement with Varian was expanded in April
- Breakthrough RayStation® order from Massachusetts General Hospital was received in October
- The Board of Directors proposes a dividend of SEK 0.50 (0.50) per share

EVENTS AFTER THE END OF THE PERIOD

- RaySearch established a sales organization in the US in January
- Two new RayStation® orders were announced in February

“The past year was highly successful in financial terms and in addition, we underwent substantial strategic changes that are crucial to our future development. The launch of our proprietary treatment planning system RayStation® went well and the breakthrough order from Massachusetts General Hospital was a very important milestone for RaySearch”, says Johan Löf, CEO of RaySearch.

“We will continue building up our international sales and marketing organization and work closely together with new and existing customers to further refine RayStation®. We have already noted growing interest in RayStation® following the breakthrough in the US and I am convinced that the customer list will continue to grow in 2011”, concludes Johan Löf.

SUMMARY OF FINANCIAL RESULTS

Amounts in SEK 000s	Jan-Dec		Oct-Dec	
	2010	2009	2010	2009
Net sales	117,728	83,687	34,758	36,365
Operating profit	39,873	40,862	15,371	23,812
Operating margin, %	33.9	48.8	44.2	65.5
Net profit	28,895	30,146	11,354	17,526
Earnings per share, SEK	0.84	0.88	0.33	0.51
Share price at year-end, SEK	38.0	29.50		

The information in this year-end report is such that RaySearch must disclose publicly in accordance with the Swedish Securities and Clearing Operations Act and/or the Financial Instruments Trading Act. The information was made public on February 18 at 7:45 a.m.

CEO comments

In financial terms, the past year proved successful and in addition, we underwent substantial strategic changes that are crucial to our future development.

We have for some time been offering our proprietary RayStation® treatment planning system to selected leading research-intensive clinics, as a complement to our existing partner-based business model. An important milestone was reached in the summer of 2009 when we secured the first order from the German clinic Westdeutsches Protonentherapiezentrum Essen (WPE). In March 2010, the next step was taken when we received FDA clearance for marketing the system in the US, and in October we secured the first order in the American market from Massachusetts General Hospital. MGH is one of the best-reputed hospitals in the US and the fact that such a prestigious clinic selected RayStation serves to generate interest from other clinics. Accordingly, the time was deemed right to build our own sales and service organization to fulfill our customers' needs in the best possible way. We acted quickly, and since January the sales organization has been up and running in the US, headed by Marc Mlyn as CEO of RaySearch Americas, and David McPhail as VP of Sales for the North American market. I am convinced that their entrepreneurial spirit and extensive experience of the market for treatment planning systems will be key success factors for RaySearch Americas. A couple of days ago we announced our first orders from Canada and Switzerland so 2011 has started well.

This does not mean that our old business model is being abandoned. We will continue just as before to develop and sell innovative products via our partners. However, the fact that we now have the opportunity to sell directly to clinics in parallel with our partner-based business model represents a transformation from being wholly dependent on our partners to gaining strategic freedom of action. In the long-term, this offers tremendous potential and I am convinced that this is the right route to assure RaySearch's future success. In the short-term, the initiative will entail continued investment to build up new structures for sales, service and marketing in addition to our research and product development activities. However, we are cautious and will build the organization step by step with the goal of a positive profit contribution from the direct sales effort also in the short-term.

Financially, RaySearch performed strongly in 2010. The number of licenses sold rose substantially to 1,093 (656) and revenues rose 41 percent to SEK 117.7 M. The volume growth was primarily due to the positive reception of all the new products launched in late 2009. Currency effects had a negative impact during the year. With unchanged exchange rates, sales would have increased 50 percent. Profit for the period declined 4 percent to SEK 28.9 M. That profits remained in line with the preceding year despite the substantial increase in revenues was primarily attributable to increased amortization of capitalized development costs. In 2009, amortization increased only towards the end of the year when the new products were launched, while in 2010 these costs affected the financial results for the entire period. The year finished strongly. During the fourth quarter, revenues amounted to SEK 34.8 M and almost reached the record levels achieved in the fourth quarter of 2009 when Philips had a substantial accumulated SmartArc order backlog that was delivered, which was not the case in 2010. The revenues in the fourth quarter 2010 would have been the highest ever at unchanged exchange rates from the same period last year

A large share of the revenue increase in 2010 derived from the product for VMAT (Volumetric Modulated Arc Therapy) that our partner Philips began selling under the SmartArc brand in November 2009. VMAT is an important trend in the market and demand remained strong. It is also positive to note that sales of older Philips products increased during the period. This was probably because sales of these products are driven by SmartArc sales, since they are a prerequisite for upgrading to SmartArc.

Sales through Nucletron also increased compared with the preceding year. Nucletron launched our solution for VMAT along with a product for model-based segmentation in late 2009. Unlike Philips, Nucletron has most of its sales in Europe, where the introduction of VMAT is progressing at a slower rate than in the US, which means that growth will be lower than for Philips. It was positive to note that volumes also increased for older products thanks to a strong end to the year. During the past few years,

Nucletron has implemented a number of improvements to boost its growth rate in the software segment and we delivered new product versions to them in December, so the prospects for higher sales through Nucletron are favorable.

Our collaboration with IBA Dosimetry regarding the jointly developed COMPASS® quality assurance system continues to progress positively. The system is now well established as one of the most competitive solutions for quality assurance of VMAT treatments and sales rose sharply during the year. We are now working to adapt the system to fit a new detector and expand COMPASS® with a new advanced product for monitoring the delivered radiation dose taking into account changes occurring in the patient's anatomy during the course of treatment. This product will be launched in 2011. These changes represent additional potential for increased sales via IBA Dosimetry.

At the end of April, we restructured our license agreement with Varian, the leading supplier of radiation therapy equipment, with a very large installed base. We entered into the original agreement in 2007 and launched the first three RaySearch products in 2009, integrated in Varian's Eclipse™ treatment planning system. Following the restructuring the partnership started generating significant revenues during the second quarter. We are in the process of further improving the existing products and potential exists for increased sales in the coming years. The collaboration with TomoTherapy is also progressing with the SharePlan™ product that has generated revenues for RaySearch since the second quarter of 2010.

Accordingly, all of RaySearch's partnerships are now generating revenues, with the exception of the collaboration project with Siemens, which was initiated in May 2009. Under the terms of the agreement with Siemens, RaySearch will provide a number of treatment planning modules for advanced radiation therapy. In December we finalized the integration of the modules into Siemens' syngo® Suite for Oncology, an integrated platform for workflow management in radiation therapy clinics. Siemens is now in the process of completing testing and the collaboration will start to generate revenues for us in the first half of 2011.

We also continue the intense development of our system for treatment planning of proton therapy, which is integrated in RayStation®. Our first customer in the proton area is the German clinic WPE, to which we made a successful partial delivery in September. The final delivery to WPE is scheduled for 2011. In this area, we are also participating with Nucletron in the procurement process for a treatment planning system for the Skandion clinic, which is a new proton center that will be built in Sweden. The procurement has been delayed and is expected to be concluded in the first half of 2011. We are also participating in other tenders and although very few proton clinics exist worldwide, this is a niche that could become very significant for RaySearch.

2010 was a fantastic year with momentous strategic changes and we are entering 2011 as a partly new company. As usual, we will put a lot of effort into product development with our partners. In addition, we will continue building up our sales and marketing organization in the US and Europe and work closely together with new and existing customers to further refine RayStation®. We have already noted growing interest in RayStation® following the breakthrough in the US and I am convinced that the customer list will grow in 2011. Working directly with clinics entails new challenges for us as a company, but it is incredibly inspiring to come one step closer to the reality of the clinics. The opportunities to develop new products improve and the potential to create value grows significantly, thus ensuring very strong future prospects for RaySearch.

Stockholm, February 18, 2011

Johan Lof
President and CEO, RaySearch Laboratories AB (publ)

Significant events

EVENTS DURING THE FOURTH QUARTER OF 2010

Breakthrough RayStation® order from Massachusetts General Hospital

In October RaySearch announced that Massachusetts General Hospital (MGH) in Boston, USA, has selected RaySearch's treatment planning system RayStation® as their next generation planning software for delivery of IMRT and VMAT treatments. In 2008, RaySearch and MGH entered into a long-term research and development collaboration within the field of multi-criteria optimization for radiation therapy. In all radiation treatments, the clinician has to balance conflicting objectives such as obtaining a sufficiently high target dose to achieve tumor control, while ensuring that the dose to the surrounding healthy tissues is sufficiently low to minimize the risk for side effects. Multi-criteria optimization provides a tool for dealing with these tradeoffs in a stringent fashion. The cooperation has resulted in a software product that enables oncologists to explore and evaluate a representative set of treatment alternatives in a highly intuitive and efficient way and the solution is now integrated in RaySearch's proprietary RayStation® treatment planning system. The first installation took place in December and MGH will probably be the first hospital in the world that uses RayStation® and the solution for multi-criteria optimization in clinical practice, which is expected to occur in the first half of 2011.

EVENTS AFTER THE END OF THE PERIOD

RaySearch established a sales organization in the US

In January, RaySearch announced that a US subsidiary named RaySearch Americas Inc had been formed. The new company will be located in New York and will market RaySearch's treatment planning system RayStation® in the North American market. This will include marketing, sales, installation and support as well as and input into product development based on the North American experience. To lead this effort, Marc Mlyn has been recruited as President and CEO of RaySearch Americas, and David McPhail as Vice President of Sales. Both have a long history in the radiation oncology industry, particularly in the area of radiation therapy planning.

Two new RayStation® orders

In February RaySearch announced two new orders for its RayStation® treatment planning system. The first order comes from a Canadian cancer care and research facility. They will use RayStation® as a tool for the development of an exciting new treatment machine that combines a traditional linear accelerator with a Magnetic Resonance Imaging scanner. The other order comes from Clinique de Genolier in Switzerland. This clinic will primarily use RayStation® for the clinical introduction of dose tracking, which is a tool that uses daily imaging data and advanced deformation algorithms to monitor the delivered radiation dose during the course of treatment. The orders

Financial information

SALES AND EARNINGS FOR THE FOURTH QUARTER OF 2010

During the fourth quarter of 2010, sales declined 4.4 percent compared with the year-earlier period to SEK 34.8 M (36.4). Sales were affected negatively in the quarter by unfavorable exchange rates. Unchanged exchange rates would have seen fourth quarter sales increase 2.6 percent.

The operating profit declined during the fourth quarter to SEK 15.4 M (23.8), corresponding to an operating margin of 44.2 percent (65.5). Profit after tax during the quarter totaled SEK 11.4 M (17.5). The lower operating margin was mainly due to increased amortization of capitalized development costs. Additionally, a provision amounting to SEK 1.1 M (0) (see following section) for allocation to the profit-sharing foundation was charged against operating profit for 2010.

SALES AND EARNINGS FOR FULL-YEAR 2010

Total sales for full-year 2010 increased 40.7 percent compared with the preceding year and amounted to SEK 117.7 M (83.7). Sales primarily comprised license revenues through partners and support revenues. The number of licenses sold through partners and directly totaled 1,093 (656), and license revenues for 2010 amounted to SEK 96.3 M (60.6). The increase in license revenues was mainly attributable to the launch of RayStation®, the new products sold via Philips, Nucletron and Varian that started to generate revenues at the end of 2009, and the first product from the collaboration with TomoTherapy that started to generate revenues during the second quarter of 2010. License sales were also impacted positively by increased sales of the older products sold via Philips, Nucletron and IBA Dosimetry. Sales were affected adversely by a 7.4 percent decline in support revenues to SEK 21.4 M (23.1) in 2010.

The company is dependent on trends in USD and EUR exchange rates against the SEK, since invoicing is in USD and EUR and the bulk of the costs are in SEK. During 2010, revenues in USD were recognized at an average exchange rate of SEK 7.15, compared with SEK 7.48 in 2009. During 2010, revenues in EUR were recognized at an average exchange rate of SEK 9.33, compared with SEK 10.49 in 2009. Accordingly, exchange-rate effects had a negative impact on sales. At unchanged exchange rates, sales would have increased 50.2 percent compared with 2009. A sensitivity analysis of currency exposure indicates that the impact of a change in the average USD exchange rate of ± 10 percent on the operating profit in 2010 was \pm SEK 8.7 M and that the corresponding effect of a change in the average EUR exchange rate of ± 10 percent was \pm SEK 11.8 M. The company pursues the currency policy set by the Board of Directors.

Operating profit in 2010 amounted to SEK 39.9 M (40.9), corresponding to an operating margin of 33.9 percent (48.8). Operating expenses, excluding exchange-rate gains and losses, increased SEK 34.9 M compared with the preceding year to SEK 75.9 M. Other operating revenues and other operating expenses refer to exchange-rate gains and losses, with the net of these for 2010 amounting to an expense of SEK 1.8 M (expense 0.8). The increase in operating expenses was mainly due to higher costs for research and development, of which the amortization of capitalized development costs accounted for the majority. In 2010, RaySearch made a provision of SEK 2.4 M for allocation to the profit-sharing foundation in respect of 2009's performance. In accordance with the resolution of the Annual General Meeting (AGM) in May the entire cost was expensed in the second quarter. Since dividend is expected to be paid for 2010, a provision was made in the third and fourth quarters of 2010 for allocation to the profit-sharing foundation, which had a negative impact of SEK 1.6 M on profits in 2010. For more information about the profit-sharing foundation, see the Annual Report for 2009, page 46.

As of December 31, 2010, 63 (54) employees were engaged in research and development. Research and development costs include payroll costs, consulting fees, and costs for computer equipment and premises. Before capitalization and amortization of development costs, research and development costs totaled SEK 75.5 M (55.9). Capitalized development costs for 2010 rose to SEK 49.5 M (43.3). Amortization of capitalized development costs during 2010 amounted to SEK 27.5 M (12.1). The increase during the year was due to the amortization of capitalized development pertaining to the company's new products, which commenced in the third and fourth quarters of 2009 as the new

products began to be installed in clinics while amortization continued throughout 2010. Research and development costs after adjustments for capitalization and amortization of development costs totaled SEK 53.5 M (24.7).

Amortization of intangible fixed assets amounted to SEK 27.6 M (12.2) in 2010 and depreciation of tangible fixed assets totaled SEK 0.4 M (0.2). Overall, amortization and depreciation during 2010 amounted to SEK 28.0 M (12.4). Amortization and depreciation primarily pertained to capitalized development costs.

Profit after tax for 2010 totaled SEK 28.9 M (30.1), corresponding to earnings per share of SEK 0.84 (0.88).

Geographic distribution of license revenues

Most of RaySearch's existing customers operate in the US. It is worth noting that the proportion of license revenues that derive from North America increased during the period after declining the preceding year. License revenues in 2010 were distributed as follows: North America 47 percent (38), Asia 22 percent (17), Europe and the rest of the world 31 percent (45).

LIQUIDITY AND FINANCING

Cash flow from operating activities for 2010 amounted to SEK 62.8 M (49.2). The increase was mainly attributable to an improvement in profit adjusted for amortization. Cash flow for the year totaled a negative SEK 5.0 M (positive 9.4). The decline in the total cash flow was due to payment of a dividend of SEK 17.0 M in 2010 compared with 2009 when no dividend was paid. Cash flow from investing activities fell to a negative SEK 50.8 M (negative 43.1) due to increased development initiatives.

As of December 31, 2010, cash and cash equivalents amounted to SEK 75.0 M, compared with SEK 80.0 M on December 31, 2009. As of December 31, 2010, current receivables totaled SEK 39.9 M, compared with SEK 30.5 M on December 31, 2009. Receivables mainly comprise accounts receivable, which have increased as a result of substantially higher sales during recent quarters. RaySearch has no interest-bearing liabilities.

INVESTMENTS

Fixed assets primarily comprise capitalized development costs. Investments in intangible fixed assets in 2010 amounted to SEK 49.7 M (43.3) and investments in tangible fixed assets to SEK 2.4 M (1.1).

EMPLOYEES

At the end of the fourth quarter, the number of employees in RaySearch was 69 (58). The average number of employees during January to December 2010 was 64 (52).

PARENT COMPANY

Since the financial reporting of the Parent Company corresponds in all material respects to the financial reporting of the Group, the comments for the Group are also relevant to a great extent for the Parent Company. Capitalization of development costs is recognized in the Group, but not in the Parent Company. The Parent Company has anticipated a dividend of SEK 4.8 M from the Group company RayIncentive.

ANNUAL GENERAL MEETING

The Annual General meeting will be held at the Berns Conference Center in Kammarsalen, Berzelii Park, Stockholm on May 25, 2011 at 6:00 p.m. The Annual Report for 2010 will be available at RaySearch's office at Sveavägen 25 in Stockholm approximately one month prior to the date of the Annual General Meeting.

Proposed dividend

In view of RaySearch's strong financial position and favorable forecasts, the Board and the President propose that the Annual General Meeting approve a dividend to the shareholders of SEK 0.50 (0.50) per share, or SEK 17.1 M (0.0).

CONSOLIDATED INCOME STATEMENT IN SUMMARY

Amounts in SEK 000s

	Jan-Dec		Oct-Dec	
	2010	2009	2010	2009
Net sales	117,728	83,687	34,758	36,365
Cost of goods sold	-92	-1,013	-2	-147
Gross profit	117,636	82,674	34,756	36,218
Other operating income	0	0	0	226
Selling expenses	-4,687	-3,604	-1,186	-1,213
Administrative expenses	-17,756	-12,691	-4,016	-3,407
Research and development costs	-53,500	-24,718	-13,806	-8,012
Other operating expenses	-1,820	-799	-377	0
Operating profit	39,873	40,862	15,371	23,812
Result from financial items	249	421	234	23
Profit before tax	40,122	41,283	15,605	23,835
Tax	-11,227	-11,137	-4,251	-6,309
Profit for the period¹⁾	28,895	30,146	11,354	17,526
Earnings per share before full dilution (SEK)	0.84	0.88	0.33	0.51
Earnings per share after full dilution(SEK)	0.84	0.88	0.33	0.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK 000s

	Jan-Dec		Oct-Dec	
	2010	2009	2010	2009
Profit for the period	28,895	30,146	11,354	17,526
Other comprehensive income	-	-	-	-
Comprehensive income for the period¹⁾	28,895	30,146	11,354	17,526

1) 100 % attributable to shareholders in the Parent Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

Amounts in SEK 000s	Dec 31, 2010	Dec 31, 2009
Assets		
Intangible fixed assets	133,981	112,323
Tangible fixed assets	3,157	2,068
Deferred tax assets	3,842	8,216
Total fixed assets	140,980	122,607
Current receivables	39,930	30,478
Cash and cash equivalents	75,016	80,013
Total current assets	114,946	110,491
TOTAL ASSETS	255,926	233,098
EQUITY AND LIABILITIES		
Equity	196,762	184,858
Deferred tax liabilities	41,767	34,949
Other long-term liabilities	642	642
Accounts payable	5,743	5,525
Other current liabilities	11,012	7,124
TOTAL EQUITY AND LIABILITIES	255,926	233,098
Pledged assets	5,000	5,000
Contingent liabilities	None	None

CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

Amounts in SEK 000s	Jan-Dec		Oct-Dec	
	2010	2009	2010	2009
Profit before tax	40,122	41,283	15,605	23,835
Adjusted for non-cash items *	28,044	12,389	7,582	5,175
Taxes paid	-2,710	-1,933	-1,118	-2,503
Cash flow from operating activities before changes in working capital	65,456	51,739	22,069	26,507
Cash flow from changes in working capital	-2,671	-2,532	-8,256	-12,731
Cash flow from operating activities	62,785	49,207	13,813	13,776
Cash flow from investing activities **	-50,791	-43,148	-16,023	-13,116
Cash flow from financing activities	-16,991	3,310	0	3,310
Cash flow for the period	-4,997	9,369	-2,210	3,970
Cash and cash equivalents at the beginning of the period	80,013	70,644	77,226	76,043
Cash and cash equivalents at the end of the period	75,016	80,013	75,016	80,013

* These amounts include amortization of capitalized development costs.

** These amounts include capitalized development costs.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

Amounts in SEK 000s

	Jan-Dec	
	2010	2009
Opening balance	184,858	150,435
Comprehensive income for the period	28,895	30,146
Dividend paid	0	4,277
Exercise of options	-16,991	0
Closing balance	196,762	184,858

Dividend of SEK 0.50 per share paid out with record day May 28.

CHANGES IN NUMBER OF SHARES

Amounts in SEK 000s

	Jan-Dec	
	2010	2009
Total number of shares (opening and closing balance)	34,282,773	34,282,773
Holding of treasury shares (opening balance)	299,628	449,628
Holding of treasury shares (closing balance)	299,628	299,628
Average number of treasury shares	299,628	435,244

KEY DATA AND FINANCIAL INFORMATION IN SUMMARY

Amounts in SEK 000s

	Jan-Dec			Oct-Dec		
	2010	2009	2008	2010	2009	2008
Net sales	117,728	83,687	62,690	34,758	36,365	21,346
Operating profit	39,873	40,862	21,058	15,371	23,812	13,013
Operating margin, %	33.9	48.8	33.6	44.2	65.5	61.0
Profit margin, %	34.1	49.3	38.5	44.9	65.5	64.2
Net profit	28,895	30,146	18,223	11,354	17,526	10,899
Earnings per share, SEK*	0.84	0.88	0.53	0.33	0.51	0.32
Return on capital employed, %	21.0	24.6	16.7			
Return on equity, %	15.1	18.0	12.6			
Equity/assets ratio, %	76.9	79.3	80.0			
Adjusted equity per share at the end of the period, SEK*	5.74	5.39	4.39			
Share price at the end of the period, SEK*	38.0	29.50	11.50			
Dividend per share*	0.50**	0.50	0			

* Adjusted for 3:1 stock split.

** According to Board proposal.

PARENT COMPANY INCOME STATEMENT IN SUMMARY

Amounts in SEK 000s

	Jan-Dec		Oct-Dec	
	2010	2009	2010	2009
Net sales	117,728	83,687	34,758	36,365
Cost of goods sold	-92	-1,013	-2	-147
Gross profit	117,636	82,674	34,756	36,218
Other operating income	0	0	0	226
Selling expenses	-4,687	-3,604	-1,186	-1,213
Administrative expenses	-17,728	-14,491	-3,995	-3,783
Research and development costs	-75,482	-54,095	-22,363	-15,607
Other operating expenses	-1,820	-799	-377	0
Operating profit	17,919	-9,685	6,835	15,841
Result from financial items	5,038	345	5,023	24
Profit after financial items	22,957	10,030	11,858	15,865
Appropriations	-3,941	-1,909	-3,941	-1,909
Profit before tax	19,016	8,121	7,917	13,956
Tax	-4,374	-2,416	-967	-3,711
Net profit	14,642	5,705	6,950	10,245

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK 000s

	Jan-Dec		Oct-Dec	
	2010	2009	2010	2009
Net profit	14,642	5,705	6,950	10,245
Other comprehensive income	-	-	-	-
Comprehensive income for the period	14,642	5,705	6,950	10,245

PARENT COMPANY BALANCE SHEET IN SUMMARY

Amounts in SEK 000s	Dec 31, 2010	Dec 31, 2009
ASSETS		
Intangible fixed assets	312	636
Tangible fixed assets	3,157	2,068
Financial fixed assets	2,160	2,160
Deferred tax assets	3,842	8,216
Total fixed assets	9,471	13,080
Current receivables	44,727	30,478
Cash and cash equivalents	67,610	72,724
Total current assets	112,337	103,202
TOTAL ASSETS	121,808	116,282
EQUITY AND LIABILITIES		
Equity	79,960	82,459
Untaxed reserves	25,140	21,199
Accounts payable	5,743	5,525
Other current liabilities	10,965	7,099
TOTAL EQUITY AND LIABILITIES	121,808	116,282
Pledged assets	5,000	5,000
Contingent liabilities	None	None

Other information

ACCOUNTING POLICIES IN ACCORDANCE WITH IAS/IFRS

This year-end report was prepared in accordance with IAS 34 Interim Financial Reporting and the applicable provisions of the Swedish Annual Accounts Act. The year-end report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act, chapter 9, Interim Reports. The same accounting and valuation policies as applied in the latest annual report have been applied to the Group and Parent Company. New or revised IFRS standards in 2010 have not affected RaySearch and currently known revisions are not expected to affect RaySearch in 2011.

No segment reporting has been established since RaySearch comprises only one segment.

RISKS AND UNCERTAINTIES IN THE GROUP AND THE PARENT COMPANY

Financial risk management

RaySearch's financial policy governing the management of financial risks was established by the Board of Directors and represents a framework of guidelines and rules in the form of risk mandates and limits for financial activities. RaySearch is primarily affected by exchange-rate risk. All of RaySearch's net sales are in USD or EUR. In accordance with the established financial policy, no currency hedging is employed. The financial policy is updated at least once annually.

Operational risks

As a result of its activities, RaySearch is exposed to various operational risks, including the following: dependency on key persons, competition and strategic partnerships. RaySearch currently has partnerships with Philips, Varian, Siemens, Nucletron, IBA Dosimetry and TomoTherapy. RaySearch also has several research partnerships. If RaySearch were to lose one or more of these partners, this could have a major impact on the company's sales, profit and financial position. This risk decreases as the number of partners increases. RaySearch engages in continuous discussions with a number of medical technology companies in respect of new collaborations.

For more detailed information about RaySearch's financial risk management and operational risks, refer to page 48 of the 2009 Annual Report.

RELATED-PARTY TRANSACTIONS

No transactions between RaySearch and related parties materially affected the company's position and earnings.

ESTIMATES

Preparation of the year-end report requires that company management makes estimates that affect the recognized amounts for assets, liabilities, revenues and expenses. The actual outcome could deviate from these estimates. The critical sources of uncertainty in the estimates are the same as in the most recent annual report.

This year-end report has been subject to summary review by the company's auditor. The review report can be found on page 13.

Stockholm, February 18, 2011

Erik Hedlund
Chairman

Johan Löf
President and Board member

Carl Filip Bergendal
Board member

Hans Wigzell
Board member

Review report

To the Board of RaySearch Laboratories AB
Corporate Registration Number 556322-6157

I have reviewed the year-end report for RaySearch Laboratories AB (publ) for 2010. The Board of Directors and the President are responsible for the preparation of this year-end report in accordance with IAS 34 and the Swedish Annual Accounts Act. My responsibility is to express a conclusion on the year-end report based on my review.

I have conducted my review in accordance with the Swedish standard for such reviews, (SÖG) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Sweden RS and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Therefore, a review does not enable me to express a conclusion with the same degree of assurance that an audit would do.

Based on my review, nothing has come to my attention that causes me to believe that the attached year-end report has not been prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group and the Swedish Annual Accounts Act for the Parent Company.

Stockholm, February 18, 2011

Anders Linér
Authorized Public Accountant

FOR FURTHER INFORMATION, PLEASE CONTACT:

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FINANCIAL REPORTING

Interim report for the first quarter	May 4, 2011. This is earlier than the date previously communicated
Annual General Meeting	May 25, 2011 at 6:00 p.m. The Annual General Meeting will be held at the Berns Conference Center in Kammarsalen, Berzelii Park, Stockholm
Interim report for the first six months	August, 2011

ABOUT RAYSEARCH

RaySearch Laboratories is a medical technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch's products are mainly sold through license agreements with leading partners such as Philips, Nucletron, IBA Dosimetry, Varian, TomoTherapy and Siemens. To date, 15 products have been launched through partners and RaySearch's software is used at some 1,800 clinics in more than 30 countries. In addition, RaySearch offers the proprietary treatment planning system RayStation® directly to clinics. RaySearch was founded in 2000 as a spin-off from Karolinska Institutet in Stockholm and the company is listed in the Small Cap segment on NASDAQ OMX Stockholm.

For more information about RaySearch, visit www.raysearchlabs.com.